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5 November 1963

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CENTRAL INTELLIGENCE BULLETIN



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DAILY BRIEF

*USSR-Berlin: (The detention of the US convoy on 4 November clearly reflects a high-level Soviet decision to challenge the Allied "harmonized procedures" for processing Autobahn convoys.)

(The behavior of Soviet authorities at the Marienborn checkpoint suggests that they were fully prepared to stage a test over the first nondismountable convoy to appear since the three Western powers conveyed their procedures to the Soviets on 29 October. The Soviet checkpoint commander contended there was no misunderstanding, charged that the delay was caused only by US failure to comply with Soviet regulations, and claimed it is Soviet, not Allied, authorities who determine the procedures.)

(He apparently made the same demands that Soviet authorities tried unsuccessfully to impose last month on a British convoy detained at Babelsberg--personnel should dismount for headcount if (1) a convoy consists of five or more vehicles, irrespective of the total number of passengers or (2) if any one vehicle contains four or more passengers in the rear of the truck.)

(In addition to asserting the USSR's alleged right to establish procedures, the Soviet leaders probably

(hope to use this incident to engage the Allies in negotiations on the governmental level to work out four-power arrangements on access procedures. Such an agreement, in Moscow's view, would not only confirm the USSR's right to a voice in establishing access rules, but would undermine the Western position that the right of unrestricted access is based on the occupation of Berlin and is not subject to negotiation.)

(The Soviet leaders probably believe that even if their maneuvers fail to draw the West into negotiations, continuing pressure on the dismounting issue will oblige the Allies to avoid test cases in the future and thereby permit the USSR to claim de facto acceptance of its regulations.)

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Britain-Cuba: (A prominent British shipowner has told the US Embassy in London that he is prepared to withdraw all ships he controls from Cuban trade as soon as their charters expire in the next eleven months, provided such ships are then removed from the US black list.)

(The proposal, if accepted, would result in the removal of 16 British and 3 Greek ships, most of which are tankers. These account for nearly half the present British tonnage in the Cuban trade. They constitute the largest number controlled by one owner in free world shipping to Cuba.)

(While the withdrawal of these ships would cause the bloc some temporary inconvenience, there are a number of free world tankers available to the bloc for making up the loss.)

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Brazil: (A leftist confidant of President Goulart, whose reliability as an interpreter of Brazilian events has been uneven, has informed Ambassador Gordon that Goulart may soon attempt to solve Brazil's problems by resorting to some drastic action.)

Goulart, according to the source, is both "physically exhausted" and "psychologically increasingly desperate." Goulart is also said to have concluded that he must push through basic reforms even at the risk of losing the presidency. The over-all implication is that something along the lines of last month's abortive effort to establish a state of siege is in the offing.)

Ambassador Gordon feels that in view of the unstable situation in Brazil and the source's very close relationship with Goulart, his warning should be taken seriously.)

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West Germany: West German officials now doubt that the EEC can reach early agreement on grain prices.

This is the chief obstacle to the community's effort to arrive at a common agricultural policy and key to the success of the "Kennedy Round" of tariff negotiations.

At a meeting with a US trade delegation last week, a Ministry of Agriculture official asserted that it was certain EEC grain prices could not be unified before 1969. This, he indicated, meant that only interim arrangements concerning grain will be possible in the Kennedy Round.

State Secretary Lahr of the Foreign Ministry has taken the same line. He claims there is little likelihood of uniform grain prices being adopted before 1970, the end of the transitional period provided in the EEC treaty.

The pressures from the French for an early decision on the grain price issue increase the likelihood of a serious confrontation between Paris and Bonn on the agricultural question unless Chancellor Erhard is prepared to make concessions. The US Embassy in Bonn notes that Erhard is being warned by the powerful organization of German farmers and by members of his own party against any change in German farm policy to accommodate EEC interests.

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NATO: The UK maintained its strong opposition to a common NATO policy on credits to the Soviet bloc at last week's meeting of economic advisers. Ambassador Finletter is more than ever convinced that there is little chance that such a policy will be adopted as long as Britain fails to go along. Without a common policy, pressures among the Allies to engage in a race to extend credit to the bloc promise to become irresistible.

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Finland: Prime Minister Karjalainen's Agrarian-led cabinet has been reconstituted without labor representation. President Kekkonen has appointed a non-party civil servant and two Agrarian Party members to replace the three labor ministers whose withdrawal from the cabinet on 30 August precipitated the prolonged crisis. The Agrarians previously said they would not participate in a cabinet without leftist labor representatives to "balance" the coalition, but a search for qualified candidates willing to join the government was unsuccessful.

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